Tourism Development and Land Leases in Sri Lanka: Adopting a Better Framework for Co-discovery with Lessons from Kalpitiya

By Ashanee Kottage and Tehani Chandrasena Perera

KEY TAKEAWAYS

- Kalpitiya, on Sri Lanka's North-Western coast and the site of previous land leases by the tourism authorities, shows that tourism development cannot be treated merely as a way to generate accommodation inventory without regard to ecological limits, infrastructure capacity, and community livelihoods.
- Tourism destinations function as complex socio-ecological systems, not discrete investment parcels. Sri Lanka's current approach to tourism land leasing risks repeating past failures unless site readiness is assessed before leases are issued.
- Project delays and idle land are the consequences of structural weaknesses in selection of sites for tourism land leases.
- Environmental Impact Assessments alone are insufficient to manage the cumulative and social impacts of large-scale tourism development.
- A pre-leasing diagnostic framework can reduce risk and prevent misaligned investments by identifying gaps in readiness early.
- Co-discovery with local communities strengthens legitimacy and long-term viability, moving beyond one-off consultations.
- Embedding readiness assessments sharpens development rather than slowing it, directing investment toward sites that are viable, desirable, and sustainable.

TABLE OF CONTENTS

1. NEW TOURISM LAND LEASES IN CONTEXT OF PAST EFFORTS

In June 2025, the Sri Lanka Tourism Development Authority (SLTDA) announced the identification of 3,000 acres of land across coastal regions to be leased for tourism investment. These sites are being promoted as "ready for development" in a move that aims to attract private investors, expedite tourism infrastructure, and stimulate economic growth. The government has emphasized clarity in land titles, legal readiness, and the consolidation of investor attention as reasons for this large-scale leasing model. However, this approach, though administratively expedient, risks repeating past mistakes if not grounded in a more context-sensitive, ecologically sound, and socially just model of tourism development.

Several of the areas under consideration for leasing have been previously targeted for tourism development (see Annex 1) by government-led or government-facilitated development attempts, including:

- Leasing of state-owned land for tourism (by SLTDA or relevant authorities)
- Issuance of tenders or Expressions of Interest (EOIs) for tourism projects
- Preparation of master plans or feasibility studies for tourism zones
- Public–Private Partnership (PPP) frameworks initiated by the state
- Attempts to set up infrastructure or resort facilities (roads, jetties, sewage, etc.) as part of tourism zone development

A notable example of a previous development attempt is the flagship Kalpitiya Integrated Tourism Resort Program (KITRP) launched in 2010. This Policy Brief aims to provide a cautionary note for the new land lease efforts drawing from an analysis of the problems with the Kalpitiya project. It also introduces a pre-lease diagnostic framework, designed to help government actors and private investors assess the readiness and risks associated with future tourism land leases.

In June 2025, alongside the announcement of land leases, the Land Bank Management Information System (LBMIS) was also unveiled. This system now manages over 3,000 acres of identified tourism land and integrates directly with SLTDA's Investor Relation Unit (IRU) services, marking a milestone in the digital facilitation of tourism development.

Between 2010 and 2024, the IRU processed 1,147 project proposals, approving 530 with an estimated cumulative value of USD 4.13 billion. While this signals the system's potential, streamlining the leasing process alone will not ensure sustainability.

Most of the sites currently proposed for tourism land leases have already been targeted for development in the past. Although the SLTDA expressed intended completion of these projects in 3-5 years, as illustrated in Annex 1, many of these projects have experienced decade-long development timelines. A recurring pattern is evident: Expressions of Interest (EOIs) are announced, investors are identified, but projects stall in the approval or construction phases. These delays are often rooted in a lack of local support, unresolved land governance issues, and inadequate infrastructural readiness. Unless these foundational challenges are addressed, this cycle will continue to erode trust among both investors and local communities, undermining the potential for meaningful outcomes.

Kalpitiya is one such example: despite early interest and investment, the absence of clear social and ecological safeguards led to capital stagnation (The Morning, 2025), (Travel Voice, 2024),idle land (Lanka News Web, 2025), (The Morning, 2024), and weakening stakeholder relationships, including reduced investor confidence (Parliament of Sri Lanka, 2023) and increased local opposition (Sabaragamuwa University Journal, 2015), (GroundViews, 2015). This pattern has recurred in both coastal and inland sites.

In the following analysis on Kalpitiya, this Policy Brief draws from research conducted by CSF in 2024, as part of a three-site study exploring tourism and nature interactions in Kalpitiya, Maskeliya, and Yala. The Kalpitiya findings form the core evidence base for this brief and are complemented by SLTDA annual reports (2012-2023), the Kalpitiya Urban Development Plan 2021-2030 (UDA, 2018), and the Environmental Foundation (Guarantee) Limited's Tourism Opportunity Assessment in Kalpitiya (2022).

2. UNPACKING LESSONS FROM THE KALPITIYA INTEGRATED RESORT PROGRAM (KITRP) OF 2010

Shortly after the conclusion of the war in 2009, the Sri Lanka Tourism Development Authority (SLTDA) launched the Kalpitiya Integrated Resort Program (KITRP) in 2010, leasing 10 islands in the Kalpitiya peninsula to seven investors. Envisioned as an integrated tourism zone, the project aimed to add 4,000 rooms and generate 15,000–18,000 direct jobs by developing approximately 5,000 acres of island land (SLTDA, 2019). However, over a decade later, the majority of these developments have failed to materialize (Table 1). For instance, at least 4 island leases were signed in 2010 but as of the latest available data, construction has not been obtained and the authorities have threatened to pursue new investors.

Table 1. Kalpitiya Island Land Lease History

Island	Land Area (acres)	Invest-ment ($ USD)	Lesee	Lease Status	Current Status (as of May 2023)
Vellai I	3.8	$11 million	M/s Sun Resort Lanka (Pvt) Ltd	Signed in 2010	Construction not begun; Awaiting cost stabilization; overwater bungalow approval pending; SLTDA threatened to pursue new investors (The Morning, 2023), (SLTDA, 2023)
Vellai II	26.7				
Vellai III	33.9				

Ippantivu	135	$15 million	Qube Lanka Leisure (Pvt) Ltd	Signed in 2010	Construction not begun; dispute with local community; investor requested alternate land; SLTDA or Ministry of Tourism threatened to take over land if no progress
Eramitivu	224	$10 million	Consulting Engineers & Architects Associated (Pvt) Ltd	SLTDA recommended investor for lease (2022)	EIA in progress, pending approval from District Land Use Planning Committee and Kalpitiya Divisional Secretariat for land to support logistics
Sinna Eramaitivu	5.6	$2 million	Messers Samagi Hotels and Travels (Pvt) Ltd	SLTDA recommended investors for lease (2022)	Approval pending; proposal under review; additional mainland land purchased by investor for support facilities
Eramativu West	10	$0.6 million			
Sinna Arachcha-lai	41.6	$5.1 million	Nucleus International (Pvt) Ltd.	SLTDA recommended investors for lease (2022)	Investment proposal not submitted
Periya Arichchalai	109	$17 million	Kallang Water Villas (Pvt) Ltd[1]	SLTDA recommended investors for lease (2022)	Investment proposal not submitted
Kakaitivu	67.1	$1 million	Kapitalcorp International (Pvt) Ltd.	SLTDA recommended investors for lease (2022)	Investor proposal not submitted; but performance bond has been submitted
Uchchamu-nai	1100	**January 2022:** Investment of USD 417.5 million by unspecified investor (reports of Swiss investor); all approvals received & draft agreement finalized; awaiting investor to transfer payment and fix the date to sign the lease agreement (SLTDA, 2022)			
		May 2022: Board of Investment ultimatum to expedite signing of the lease followed by allegations of lease signing without appropriate environmental assessments (Sunday Times, 2022)			
		2023: Investment proposal from a potential Indian investor through the Board of Investment; approval pending; in evaluation process by the Development Proposal Evaluation Committee (DPEC)			
		2024: Available for potential investors (SLTDA, 2023)			
Battalan-gunduwa	118	**2023:** Potential investor through Secretary of Ministry of Tourism for a proposed camping site; approval Pending by DPEC (Parliament of Sri Lanka, 2023)			
		2024: Available for potential investors (SLTDA, 2023)			

Sources: (Parliament of Sri Lanka, 2023), (SLTDA, 2022), and (Daily News, 2010)

Over the past decade, a series of plans have been produced including the Kalpitiya Integrated Tourism Resort Program (SLTDA, 2010), and the Kalpitiya City Development Plan 2019-2030 (UDA, 2018), each proposing ambitious visions for tourism-led growth. Despite extensive planning documents, multiple factors have contributed to the weak execution of the Island Resort Project.

1 Parliament of Sri Lanka, (2023), 4 says Periya Arachchalai is leased to 365 Construction (Pvt) Ltd however the SLTDA Annual Report 2023 (December, 2024) attributes the lease to Kallang Water Villas (Pvt) Ltd.

Environmental Incompatibility

Many of the Kalpitiya islands earmarked for luxury resorts are low-lying and ecologically sensitive, with limited freshwater and high exposure to storms. For example, the planned Sun Resort on Vellai Islands I–III could not proceed because final sea-bed use approvals (needed for over-water bungalows) were still pending (SLTDA, 2019). In the wider lagoon, past aquaculture has already degraded habitats: between 1992 and 1998 over half of the mangrove forest was cleared for shrimp farming. Efforts to replant those mangroves have seen poor survival.

"Only on the order of 18–22% of replanted saplings survived in Kalpitiya."
(Restoration Ecology, 2017), (Marine Policy, 2015).

Uchchamunai serves as another example where activists allege lease agreement was signed without proper studies on environmental harm and the ultra-sensitive ecosystem will be unable to sustain the impact of the KITRP (Sunday Times, 2022). Taken together, these cases suggest that the incompatibility is structural. Kalpitiya's ecological conditions not only make environmental clearance difficult to obtain and implement meaningfully, but also render luxury, infrastructure-heavy tourism fundamentally misaligned with the lagoon's ecological carrying capacity.

Institutional Bottlenecks

Complex bureaucracy has further slowed progress. Projects must clear multiple agencies (Coastal Conservation, Central Environmental Authority, UDA, etc.), and approvals routinely take many months. SLTDA's deputy director-general notes that environmental clearances for large projects often require 6–9 months of review (The Morning, 2025). Additionally, existing processes are either incomplete or inefficient, EIAs tend to focus narrowly on individual project impacts and are guided by rigid Terms of Reference, often overlooking cumulative or social effects, while UDA land use plans may not align with SLTDA-designated tourism zones and rarely integrate tourism-specific needs (see Box 1 and Annex 2 for more information).

Infrastructure Deficits

Key services identified in the plan (water supply systems, jetties, sewage treatment, etc.) remain unbuilt (Lanka News Web, 2025) – for example, planners admit that no centralized water or waste facilities have been provided yet. Only 54% of the daily water requirement is met, leaving a 3.5 million liter gap daily (Urban Development Authority, 2018). Kalpitiya generates approximately 132 metric tons of solid waste daily, but its sole waste management center in Aanawasala (40-perch lot)–designed for just 5 tons from the urban core (6 Grahma Niladhari divisions)—is severely inadequate, with no proper sewerage system in place across the Pradeshiya Sabha region. There is no proper sewerage disposal system in either urban or the broader Pradeshiya Sabha areas. Public health provision is inadequate, as the main health facility in Kalpitiya (a 40-bed District Hospital) is severely

resource constrained with just 4 doctors (none of whom are specialists) serving a high daily outpatient (140 patients) and daily admission (80 patients) rates.[2]

Top-Down Planning Excluding Local People:

Kalpitiya's master plans have largely reflected an investor-driven vision rather than local realities. In 2023, the ESCR-Net (International Network for Economic, Social and Cultural Rights), in collaboration with NAFSO (National Fisheries Solidarity Movement) and local coastal communities, published a report (ESCR-Net, 2022) highlighting the KITRP's failure to account for ecological fragility, land tenure issues, and governance deficits–ultimately leading to violations of residents' economic, social, and cultural rights.

Land acquisition linked to tourism development in Kalpitiya has increasingly resulted in displacement and conflict with long-standing island communities. On Uchchimunai Island, located about 13 km offshore and home to roughly 300 families, residents report widespread land speculation and fencing following the opening of a new church, which authorities themselves have described as an "illegal land grab" (Sunday Times, 2024) by speculators fencing off large tracts after a new church opened. Locals also warn that lease agreements have been signed without community consent; one analysis noted that an island leased for a new resort was done without taking due consideration of environmental factors or stakeholder input, leaving 200 residents at risk of losing their land (Ceylon Today, 2022). In general, rapid land-value increases and opaque purchases have forced traditional fishermen and farmers off ancestral lands across the islands.

These pressures have translated into direct conflict in several cases, particularly where developments restrict access to lagoons and nearshore fisheries that underpin local livelihoods. For instance, the Ippantivu Island project (Qube Lanka Leisure) was delayed after residents protested that their daily activities were being disrupted. Despite attempts by SLTDA and religious leaders to mediate, the investor eventually requested an alternate site (SLTDA, 2019), (The Morning, 2025).Further, residents of Uchchamunai Island oppose the mega project, claiming it will disrupt their fishing livelihoods (high yields of fish and crab), existing tourism (attracted to nature and learning about fisherfolk), and their way of life (Sunday Times, 2022). Unlike the small-scale, community-based tourism currently present in Kalpitiya, the proposed Uchchamunai development is envisioned as a large, infrastructure-intensive luxury resort project, involving extensive land conversion, high-end accommodation facilities, and water-based leisure activities designed for mass or elite tourism markets – significantly altering patterns of land use, lagoon access, and everyday life on the island.

The Tourism Opportunity Assessment for Kalpitiya (Project COLIBRI, 2022) emphasizes the absence of a unified management body to coordinate tourism activities, assess their impacts, and implement mitigation measures. More recent initiatives—such as the Environmentally Sensitive Area Co-Management Plan for Gangewadiya (Wanathavilluwa Divisional Secretariat Division, 2020), the GIZ-supported Wilpattu National Park Management Plan (2019-2024) (DWC, 2019), and several operational and capacity-building guidelines for Gangewadiya–reflect a growing shift toward sustainability goals. However, in practice, Kalpitiya remains marked by a persistent disconnect between planning and implementation. There is currently no institutional mechanism in place to track outcomes, execute policy goals, or mediate the tensions between tourism expansion, environmental protection, and community well-being.

Taken together, Kalpitiya's experience shows that better outcomes are possible, but only if tourism development is not treated merely as a way to generate accommodation inventory. The failures observed in Kalpitiya stem less from a lack of interest or investment potential, and more from a planning approach that privileged investor timelines over ecological limits, community livelihoods, and institutional readiness.

> **Box 1: Environmental Impact Assessments Insufficiently Capture Social Dimensions**
>
> Some of the lands recently leased or proposed for tourism investment may eventually host larger-scale developments that require Environmental Impact Assessments (EIAs). These assessments are meant to serve as key safeguards-evaluating ecological risks, anticipating community impacts, and ensuring developments are socially and environmentally sustainable. However, insights from CSF's recent research into the EIA process in Sri Lanka suggests that these mechanisms often fall short. These shortcomings must be borne in mind, and urgently addressed, when planning for development in these new areas being leased for tourism investments. Our review of 250 EIA (Abeyanayake, 2026) reports reveal that while EIAs are voluminous-often exceeding 200 pages-they are not necessarily rigorous.
>
> The standard of disclosing data and sampling information is low with 31% of reports not disclosing data sources and only 15% mentioning limitations in studies conducted. There are also significant deficiencies in analysing and reporting social impacts with 45 % not reporting methodologies used to identify and assess impacts and only 47 % reports classifying impacts into dimensions such as temporality, reversibility, probability, and magnitude as required. We also found that 79 % of EIA reports do not explain the effectiveness of proposed mitigation methods.
>
> Without high-quality EIAs, authorities lack the data to monitor impacts, the public loses its only formal channel to contest harmful development, and financing bodies (whether it is national budgetary or private sector) are left without reliable evidence for investment decisions.This is especially concerning in tourism zones like Kalpitiya, where new hotel clusters may amplify existing pressures on water, waste, land, and livelihoods.

---

2 In addition to this main facility there is one Divisional Hospital, 8 primary healthcare clinics, 2 Public Health Inspectors and 32 Maternity and Childcare Clinics functioning within Kalpitiya Pradeshiya Sabha area.

To attract responsible tourism investment in new land lease sites the EIA process must be strengthened to better anticipate cumulative risks, address community concerns, and protect ecologically-sensitive regions.

3. RISKS OF CURRENT FRAMEWORK

In the context of streamlined land leasing and post-crisis development efforts, Kalpitiya reveals deep structural weaknesses in how the environmental impacts of large-scale tourism development are assessed. The prevailing approach remains top-down, treating tourism destinations as linear systems managed by discrete, independent actors, rather than as complex, interdependent socio-ecological systems. Stakeholder engagement is often shallow, characterized by one-off consultations rather than sustained processes of co-discovery – understood here as an ongoing, iterative process through which communities, regulators, and developers jointly identify risks, priorities, trade-offs, and locally grounded solutions over time. Instead of shaping decisions, local knowledge is frequently extracted late in the process, limiting its influence on project design or outcomes. Additionally, core regulatory processes, such as Environmental Impact Assessments (EIAs), remain incomplete, inconsistently enforced, or disconnected from ground realities – further eroding trust and compromising long-term sustainability.

As visually depicted in Figure 1, streamlined land leasing, when combined with incomplete land development frameworks, has shaped the trajectory of tourism development in ways that raise concerns about long-term sustainability. Top-down planning approaches and persistent weaknesses in the Environmental Impact Assessment (EIA) process mean that destinations are often not understood as complex socio-ecological systems. As a result, tourism development becomes increasingly misaligned with ecological limits, local livelihoods, and long-term resilience. In the short term, these dynamics lead to capital stagnation (The Morning, 2025), (Travel Voice, 2024) , idle or underutilised land (Lanka News Web, 2025), (The Morning, 2024), and weakening stakeholder relationships, reflected in reducing investor confidence and increasing local opposition to development projects. Over the long term, the continuation of these patterns contributes to environmental degradation, eroded trust in institutions and missed opportunities to build shared and inclusive prosperity, as development processes remain misaligned with ecological limits, community needs, and long-term economic resilience.

Figure 1: Tourism Development Outcomes Under Current Land Leasing Practices
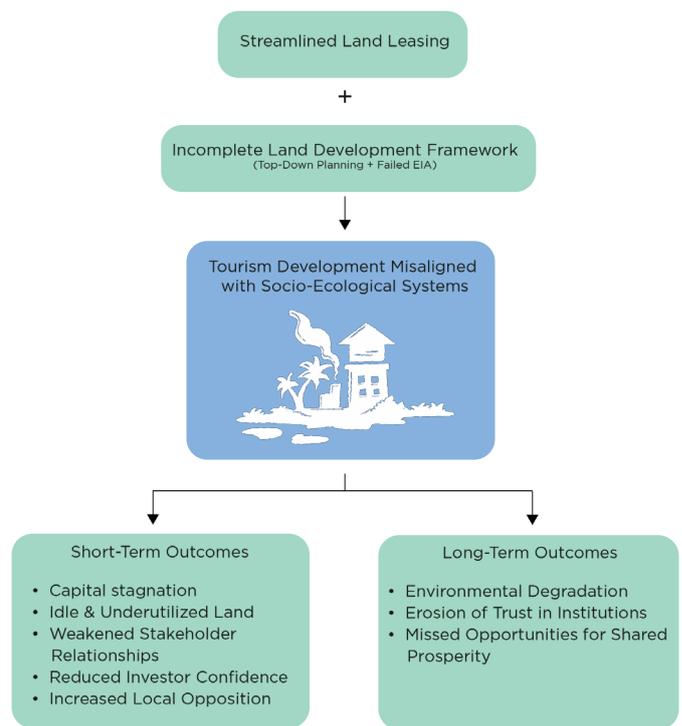
Source: Authors' construction

While the preceding sections focus on socio-ecological constraints and community impacts, weak land governance in Kalpitiya also creates a distinct and compounding risk: institutional uncertainty that undermines investor confidence. Delays in land lease approvals and a lack of institutional clarity have been shown to significantly erode investor confidence.

"In Sri Lanka, fragmented land administration systems and poor inter-agency coordination have been identified by the World Bank as major barriers to investment and growth."
(World Bank, 2017).

Internationally, similar patterns emerge: in Zanzibar, long leasing delays and administrative inefficiencies deter tourism development; in Northern Ireland, short-term lease insecurity discourages land improvement and sustainable use. Notably, Sri Lanka's 2022 re-expropriation of plantation lands sparked widespread investor concern, with media reports warning that such reversals undermine perceptions of property rights and regulatory stability (EconomyNext, 2022). These cases highlight the critical need for streamlined, transparent, and time-bound leasing processes to restore trust and attract responsible investment.

4: A FRAMEWORK FOR CONSIDERING COMPLEXITY IN TOURISM DEVELOPMENT

4.1 Conceptualize Tourism as a Socio-Ecological System

Based on Kalpitiya's experience, we propose a new Sustainable Tourism Land Lease Framework. Tourism is a resource-intensive industry that is both affected by its built and natural environment and shapes the environment in return. In Sri Lanka, tourism often happens in rural areas but it is an urbanizing process. It demands urbanization from its environment that competes with scarce resources, conservation, and local needs. Therefore, it is critical to understand tourism destinations as not static investment parcels but as complex environments (Centre for a Smart Future, 2025) with adaptive socio-ecological systems. Recognizing site-specific complexity is aligned with the growing policy recognition of the importance of sub-national destination identities and the call for sustainable tourism in Sri Lanka (NPP, 2024), (SLTDA, 2017), (SLTA, 2016). However, our analysis demonstrates that the SLTDA's land identification process (Strategic Environmental Assessment study in 2009 and cabinet approval in the same year) in which lands are leased for tourism has gaps in identifying whether the lands are compatible for tourism development and also what types of tourism development would be appropriate. Weaknesses in the existing process include a failure to assess environmental compatibility, infrastructure deficits, and institutional bottlenecks, mostly due to top-down planning. Our framework aims to fill these gaps by identifying readiness indicators to identify environmental, infrastructural, and institutional compatibility through a bottom-up planning approach.

Our proposed framework offers a layered way to assess a destination's tourism potential, evaluating whether development would be just, viable, and aligned with local identity, ecosystems, and infrastructure. Based on our fieldwork in Kalpitiya we identified a preliminary list of indicators based on demand and supply side components important for tourism planning. These indicators are derived from Kalpitiya, and while not exhaustive, offer a starting point for assessing both tourism preparedness and potential. The framework can serve as a diagnostic tool to assess whether a destination is ready and what gaps need to be filled in order to meet its potential or it can be predictive in cautioning against tourism and calling for a different type of land use.

4.2 Consider Demand Side Readiness

On the demand side, we analyze tourist profiles and market segmentation not only by origin and activity, but also by behavior, value orientation, and interaction with local ecologies. This could include distinctions such as short-versus long-stay visitors, first-time versus repeat travelers, or those seeking nature immersion versus event-based or nightlife-oriented experiences. A nuanced understanding of the tourism market is critical to ensuring alignment between destination design and visitor expectations, and to avoiding mismatches that can lead to environmental degradation or social friction.

Table 2. Demand-Side Market Segmentation and Implications in Kalpitiya

Tourist Segment	Insights from Kalpitiya	Demand Indicators
~50% of tourists in Kalpitiya are:		
Motivation and Experiences	Sports – Kite-surfing	• Kite schools • Regulate wind zones
Groups or Solo	Groups	• Group-friendly accommodation
First-Time or Return	Return	• Consistent pricing
Foreign or Domestic	Foreign	• Multilingual services
Willingness to Pay	Pre-paid packages, low-cost, long-duration	• Transparent booking systems
Duration of Stay	2-3 months	• Flexible long-stay accommodation licenses
Values	Eco-conscious, avoids parties	• Low-impact recreation • Noise controls

Source: CSF field research and Kalpitiya Urban Development Plan (2018)

4.3 Review Supply Side Readiness

On the supply side, we assess system readiness (governance, economy, culture) and infrastructure (water, waste, transport, services). Often overlooked in investment pitches, these components are foundational to both the feasibility and sustainability of tourism. Stress on any of these, especially in remote or resource-scarce areas, can compromise execution efficiency of any development project. Stress on any of these, especially in remote or resource-scarce areas, can compromise health, visitor experience, and local support. These elements shape not only access and visitor satisfaction but also determine whether tourism benefits are equitably distributed or concentrated in a few hands.

Table 3. Supply-Side Components in Kalpitiya

SYSTEMS		
Policy and planning that accounts for existing complex interactions among social and ecological systems supports equitable system-wide sustainable tourism.		
Component	**Key Insights from Kalpitiya**	**Readiness Indicators**
LOCAL GOVERNANCE Robust governance enables: • tourism aligned with local realities • equitable resource distribution across locals and tourists • preservation of nature that is foundational to sustainable tourism	Pradeshiya Sabha only has 2 technically qualified officers; minimal coordination with other governing bodies such as DWC and CCD; side-lined from tourism value-chain, lacks a Destination Management Organization (DMO)	• Staffing and capacity Effective coord nation between go erning bodies, • Clarity on mandates • Sports, recreation, and entertainment regulation
Resource Management	Weak co-management with locals (e.g. Bar Reef Management); weak hotel registration and taxation system	• Local bylaws • Quota systems • Licensing clarity • Service-to-tax alignment
Conservation	Coral reefs and mangroves are degrading due to illegal fishing and tourism pressures; ad-hoc mangrove restoration projects clash with kitesurfing hot spots	• Reef/mangrove health • Enforcement strength • Coordinated restoration • Visitor impact controls

LOCAL ECONOMY A local economy integrated with tourism ensures: • economic multipliers, • regulation for safe, quality tourism experiences, • a complete value chain for inclusive growth, and • avoids cannibalizing overly competing with existing businesses	Encroachment on traditional fishing zones which supports >3000 families; sharp seasonal fluctuations; fisherfolk lack land rights; weak licensing protocol between districts; illegal fishing practices (laila and surukku nets); hotels bypass local suppliers; Norochcholai Economic Center poor design and lack financial services	• Off-season health • Enforcement of fishing protocol • Local revenue retention • Visitor data system
Business ecosystem	Informal private coalitions of businesses; Kalpitiya Hotel Association excludes small suppliers; illegal operations; off-shore profit leakages; desire to set a market standard; suggested carrying-capacity zoning	• % of licensed operators • Business registration and license protocol • Zoning compliance • Coordination platforms • Tax reinvestment
Job creation and training	Mostly informal and inconsistent micro-level jobs (boat operators, guesthouse owners) but disconnected meso (SLTDA, PS, vocational training) and macro (natural resource management, regulatory institutions) jobs result in ad hoc, inequitable tourism	• % of integrated value chain actors, • Tourism council or DMO • Training systems • Cross-sector link
Education	No national schools; limited pathways drive youth migration and hinder skilled labor retention issues	• Vocational access • Youth retention and underemployment rates • Teacher-student ratio
LOCAL CULTURE • Alignment with local values and reduce local opposition or conflict – symbiosis	Illegal evictions and land acquisitions; reluctance to engage with local tourists; emerging environmental consciousness learned from foreign tourists	• % of locals in tourism • Land tenure security • Heritage site access • Cultural trust levels
INFRASTRUCTURE Necessary for resident and guest mobility, health, wellness, safety, and satisfaction		
Infrastructure	**Key Insights from Kalpitiya**	**Readiness Indicators**
Waste Collection and Sewage Treatment	Waste collection is limited, uneven, and poorly resourced; tourism adds volume without adequate systems	• Waste collection coverage • Disposal infrastructure • Cleanup mechanisms
Utilities: Water	Severe water scarcity (3.5 million liters), saline wells, and tourism reliance on community-managed systems strain resources	• % water demand met • Existence of community pricing models • NWSDB coverage • Desalination access
Utilities: Electricity	Weekly power outages; legacy ecological damage from Norochcholai power plant	• Power reliability and phase voltage for tourism demands • Eco-certification readiness, • Energy-environment planning alignment.
Healthcare	Limited staff and emergency care constrain both resident and tourist health	• Doctor-to population ratio • Emergency response capacity
Urban Development • Construction • Roads and Transport • Digital Connectivity	Ad hoc construction, weak enforcement of permits, mushrooming buildings mismatch with wind flow needed for kitesurfing and hydrological impact near lagoons, weak road connectivity; low digital literacy and weak infrastructure limit local visibility and increase external dependence	• Zoning compliance • Road quality, • Building height enforcement • Transport certification • % of businesses online • Digital training access

Food	Hotels rely on local sourcing out of necessity; potential for farm-tourism linkages remains untapped	• % of food sourced locally • On-site cultivation • Support programs for agro-tourism

Source: CSF field research

5. A READINESS-BASED APPROACH TO TOURISM LAND LEASING AND GOVERNANCE

These factors are not just diagnostic but predictive. The Kalpitiya case study, when run through this framework, clearly signals risk factors that were ignored at the time of leasing. The demand indicators and supply readiness indicators offer an inclusive and adaptive alternative to the purely finance-based demand and supply model that has contributed to Kalpitiya's under performance. For example, the overwater bungalow project in Kalpitiya exhibits critical weaknesses on both demand and supply sides (Table 4 and Table 5). It attempts to replicate a high-end, Maldives-style resort model in a context that lacks the foundational readiness–ecologically, economically, and socially. The project has no strong demand base: Kalpitiya's tourist profile leans toward eco-tourists, kite surfers, and budget travelers, not luxury-seeking guests. On the supply side, pending seabed-use rights, fragile lagoon ecosystems, lack of freshwater infrastructure, and a poorly coordinated regulatory landscape have all contributed to delays. While initial clearances were eventually granted, construction has yet to begin, reportedly due to unstable construction material prices. The project has now remained stalled for over 15 years. Had the SLTDA applied a readiness framework–assessing market alignment, community acceptance, ecological compatibility, and institutional capacity–this prolonged impasse could likely have been averted, saving both SLTDA credibility and investor confidence.

Table 4. Demand Side Readiness of Luxury Water-Bungalow Resort in Vellai Islands

Component	Readiness Assessment
Current Visitor Base	Kalpitiya draws eco-tourists, kite surfers, and budget domestic travelers–not luxury-seeking Maldives-type clientele
Target Market Fit	**Weak.** High-end overwater bungalows are mismatched with Kalpitiya's brand identity and visitor expectations
Willingness to Pay	Foreign visitors are generally long-stay, low-spend; local tourists are budget-oriented. No clear luxury demand signal
Experience Relevance	**Moderate to weak.** The natural beauty is present, but lacks the coral reef intimacy or lagoon seclusion found in the Maldives
Accessibility	**Weak.** Reaching the islands requires boat transfers; no jetty infrastructure or transport network in place.
Social License	**Weak.** There is community concern about lagoon access, seabed leasing, and exclusionary impacts on fishers and tour operators

Source: CSF field research and Kalpitiya Urban Development Plan (2018)

Table 5. Supply Side Readiness of Luxury Water-Bungalow Resort in Vellai Islands

Component	Readiness Assessment
LOCAL GOVERNANCE	
Legal & Regulatory	**Weak.** No final seabed lease approvals granted. Legal authority for overwater structures remains contested
Land & Water Suitability	**Weak.** Vellai Islands are low-lying, flood-prone, and have limited freshwater; high exposure to storms and erosion
ENVIRONMENTAL COMPATIBILITY	
Land & Water Suitability	**Weak.** Vellai Islands are low-lying, flood-prone, and have limited freshwater; high exposure to storms and erosion
Environmental Compatibility	**Very weak.** Prior shrimp farming has degraded nearby mangroves; overwater structures would damage lagoon ecology
INFRASTRUCTURE	
Waste & Utilities	**Weak.** No sewage treatment, no freshwater pipelines, no desalination; logistical and environmental costs are severe
LOCAL ECONOMY	
Tourism Workforce	**Moderate to Weak.** No trained luxury hospitality workforce locally; tourism labor is mostly informal and ecotourism-oriented

Source: CSF field research and Kalpitiya Urban Development Plan (2018)

This framework is designed as a pre-leasing diagnostic and decision-support tool that allows both government and private investors to assess the readiness and risks of tourism land leasing in complex and sensitive regions such as Kalpitiya. For government authorities, the framework offers a grounded, place-based method to evaluate whether a proposed tourism intervention aligns with local systems, infrastructure realities, ecological limits, and community aspirations. It supports transparent, evidence-based land lease approvals, monitoring, and enforcement. For investors, the framework highlights the risks of entering a destination without adequate planning, coordination, or local buy-in–guiding them to engage with local actors, strengthen sustainability commitments, and avoid reputational and operational setbacks. We recommend that users interpret the framework not just as a checklist, but as a co-discovery process: a means to uncover site-specific truths, align interests, and course-correct early. For sites under consideration, a completed framework should serve as a screening and prioritization tool–flagging high-risk gaps in readiness and allowing for adaptive strategies, safeguards, or reallocation. Used proactively, this framework can foster more just, durable, and credible tourism development outcomes.

While the EIA process and UDA assessments serve essential regulatory and zoning roles, they do not offer the integrative, tourism-specific, and place-based diagnostic that our framework provides, see Annex 2 for a comparison. We recommend the Assessment's use prior to lease issuance, as a means to preempt investor-government-community misalignments, identify appropriate tourism models, and add value to state land through informed, context-sensitive planning.

The framework thus functions not only as a planning tool but also as a governance correction, designed to embed accountability, and system resilience into the core of future tourism investments.

Building on the findings outlined in the previous sections, this section sets out a series of practical, forward-looking recommendations aimed at addressing the structural weaknesses identified in Sri Lanka's tourism land leasing and development processes. These recommendations (as seen in Table 6) move beyond critique to propose alternative approaches that better align land allocation, project design, and investment decision-making with socio-ecological realities and public objectives. It is structured around two key stakeholder groups: government authorities and investors/developers and outlines actionable tools, frameworks, and principles that can support more informed decision-making, reduce risk, and enable tourism development that is environmentally sound, socially legitimate, and economically resilient.

Table 6. Recommendations for Better Approaches

For Government Authorities		
Key Recommendation	**Details/Description**	**Results**
Introduce a Pre-Leasing Diagnostic Tool	• Use the framework indicators to evaluate proposed sites. • Employ the Co-Discovery Methodology to avoid repeating top down planning disconnects. <u>As articulated in our research on Redefining Destination Identities</u> co-discovery is not stakeholder consultation by another name. It is a shared process of exploration, where communities, researchers, and policymakers act as co-learners and co designers	The findings of the assessment could assist in: • Identifying where inter-agency coordination is needed (e.g. water, waste, conservation) • Identifying and making improvements to a land, adding value prior to leasing
Improve Investor Information Access	Presently the SLTDA's Land Bank Management Information System (LBMIS) and newspaper ads calling for EOIs only have a handful of photos of the site, a pin of the site on a map, and recreational activities nearby	Integrating findings from the assessment into the LBMIS would offer a robust informational package for investors to make informed choices • Offer a more cohesive map of the land (including plot coverage, marked facilities, etc.) • Map stakeholders to encourage investor relationships with on-the-ground actors

Establish a Measurement and Evaluation Framework	Given these are government owned lands, it is critical to assess whether projects on these lands are successfully meeting public goals.The indicators in the framework could be used alongside other sustainability and environmental commitments as a benchmark for: 1. Monitoring Performance 2. Enforcing compliance 3. Informing extensions, variations, or corrective action	The findings of the Measurement and Evaluation Framework could assist in: • Identifying projects that are underperforming against public, environmental, or economic objectives, enabling timely corrective action or enforcement • Assessing whether lease conditions, development approvals, and sustainability commitments are being effectively implemented, rather than treated as procedural requirements • Informing evidence-based decisions on lease extensions, variations, or termination, while strengthening future land-leasing and project design
Prioritise Community Tourism over Mega Projects	Our analysis recommends a shift away from large-scale tourism mega-projects, such as the KITRP, that often carry significant environmental costs, require prolonged approval processes, and risk community displacement. We advocate for community-rooted, small-to-mid scale tourism that aligns more closely with local priorities and ecological realities. By investing in low-impact, place-based models like eco-lodges, homestays, and cooperatives, authorities can accelerate implementation, strengthen community support, and promote more equitable benefit-sharing. Where intervention is needed, apply placemaking rather than placetaking approaches: modest, incremental investments (e.g. signage, lighting, pedestrian infrastructure) that strengthen what already exists rather than imposing external visions	These placemaking tools (as opposed to placetaking), which focus on elevating what already exists rather than imposing external visions, offer a sustainable alternative to top-down planning that often reshapes places to suit investor needs rather than community values. Prior to external intervention, Kalpitiya's tourism ecosystem developed organically, when an external force such as government and international investors intervene they can be guided by research on naturally occurring cultural districts

For Investors/Developers		
Use the Sustainable Tourism Land Lease Framework as a due-diligence tool	Apply the framework before committing capital to assess site feasibility beyond land availability, including environmental constraints, infrastructure gaps, regulatory complexity, and community acceptance / social license	Reduced project risk, fewer approval delays, lower reputational exposure, and avoidance of costly post-approval redesigns
Align projects with destination realities and regulatory expectations	Use the framework to ensure proposals reflect local destination identity, existing infrastructure capacity, and sustainability indicators, rather than relying on generic or extractive development models	Improved regulatory alignment, smoother approval processes, and stronger long-term project viability
Embed place-based and partnership-driven project design	Leverage local partnerships, supply chains, and community linkages identified through the framework to strengthen social acceptance and operational resilience	Increased community goodwill, stronger social license to operate, and enhanced resilience of project operations over time

Signal credibility and long-term value to stakeholders	Demonstrate robust, place-based planning and long-term sustainability through consistent use of the framework in project design and implementation	Greater investor and funder confidence, improved regulator trust, and enhanced reputation with future visitors and markets

Note: In destinations like Kalpitiya, this approach not only reduces risk and enhances resilience, but also honors the public mandate to use state-owned land for broad-based benefit.

6. CONCLUSION

Sri Lanka's latest wave of land leasing for tourism comes at a critical juncture in the country's tourism development journey - where new pressures for adding accommodation inventory are emerging alongside renewed investor interest in tourism projects, as well as the growing recognition that the country needs new destination, and product, development. On paper, a streamlined land release system promises efficiency, but as the Kalpitiya case illustrates, speed without preparedness is unwise - it hurts communities, investors, and ecological systems. Without robust post-lease governance, ecological safeguards, and mechanisms for community engagement and benefit-sharing, development initiatives risk repeating past failures. Efficient land leasing is only one component of the sustainable tourism equation. Without embedding these investments within a broader framework that incorporates ecological thresholds, system and infrastructure readiness, and destination-specific stewardship, Sri Lanka risks not only project failure but long-term reputational damage in its efforts to attract responsible tourism investment.

7. REFERENCES

Abeyanayake, S. (2026). 'Assessing the Assessments: An Analysis of Social Impacts Reported in Environmental Impact Assessments (EIAs) in Sri Lanka'. Centre for a Smart Future, Colombo.

Abeynayake, S. (2024). Re-defining destination identities for sustainable tourism in Sri Lanka. Centre for a Smart Future.

Abeynayake, S., & Perera, M. (2025). Spotting the problem: Understanding complexities in tourism and nature at Yala National Park (pp. 11–14). Centre for a Smart Future.

Auditor General's Department. (2023). Sri Lanka Tourism Development Authority – Audit report 2023 (p. 18).

Bandara, H. M. (2015). Coastal land uses for tourism in Sri Lanka: Conflicts and planning efforts. Sabaragamuwa University Journal, 14, 1–15.

Bowie, Y. (2015). Tourism mega-development in Sri Lanka results in human rights violations. Groundviews.

De Silva, C. (2020). SLTDA calls for EOIs to develop country's first planned tourist resort in Bentota. Daily FT.

De Silva, C. (2025). Sri Lanka tourism opens 3,000 acres of land in drive to attract $60 m investment. Daily FT.

Department of Wildlife Conservation. (2019). Wilpattu National Park management plan 2019–2024.

EconomyNext. (2022). Re-expropriation of Sri Lanka plantation land to violate property rights, scare investors.

Environmental Foundation (Guarantee) Limited. (2022). Tourism opportunity assessment: Kalpitiya, Sri Lanka (pp. 8, 18, 24, 32). (Archived internally).

ESCR-Net & NAFSO. (2022). National Physical Development Plan: The impacts on communities and the environment – Community-led research in Sri Lanka. Economic, Social and Cultural Rights Network.

Fernando, R. (2024). $500m Kalpitiya resorts stalled. The Morning.

Harshini, P. (2010). Ippantivu and Velli Islands leased under Kalpitiya Integrated Tourism Resort Project for five-star resorts. Daily News.

Harkes, I. H. T., et al. (2015). Shrimp aquaculture as a vehicle for climate-compatible development in Sri Lanka: The case of Puttalam Lagoon. Marine Policy, 61, 273–283.

Kankanamge, P. K. (2024). Illegal land grab in Uchchimunai Island, Kalpitiya. Sunday Times.

Kathsurisinghe, K. (2023). Sri Lanka Tourism Development Authority trainee interview (Personal communication).

Kodikkara, K. A. S., et al. (2017). Have mangrove restoration projects worked? An in-depth study in Sri Lanka. Restoration Ecology, 25(5), 705–716.

Lanka News Web. (2025). Government to act swiftly in reviewing stalled Kalpitiya tourism projects.

Lanka News Web. (2025). Urgent action needed to unlock Kalpitiya Islands tourism potential.

Mahavithanage, B. (2025). Deputy Director, Sri Lanka Tourism Development Authority interview (Personal communication).

McKee, A. (2021). The case for long-term land leasing: A review of the empirical literature.

Mendis, C. (2012). Paradise for lease! Daily FT.

Mudugamuwa, M. (2024). Tourism industry: Twelve islands in Kalpitiya stagnant. The Morning.

National People's Power. (2024). A thriving nation, a beautiful life (pp. 81–82).

Nuhu, S. (2025). Investment delays and governance bottlenecks in Zanzibar's tourism economy. Journal of Southern African Studies.

Parliament of Sri Lanka. (2023). Submission of observation and steps taken with regard to the reports presented to Parliament by the Committee on Public Enterprises (pp. 3–4).

Perera, M. (2025). Tourism industry: Kalpitiya development delays continue. The Morning.

Raymond, R. (2018). The Dedduwa Project: Reimagining Mexico's Mayakoba in Sri Lanka. Roar Media.

Ramanayake, W. (2022). Mega tourism project on Uchchamunai Island: Ecosystems on the chopping block. Sunday Times.

Saleem, M. A. (2022). Tourism opportunity assessment Kalpitiya, Sri Lanka. Environmental Foundation (Guarantee) Limited. (Archived internally).

Sri Lanka Tourism Alliance. (2016). Sri Lanka tourism vision 2025 (pp. 26–29).

Sri Lanka Tourism Development Authority. (2011). Annual report 2011 (p. 12).

Sri Lanka Tourism Development Authority. (2017). Sri Lanka tourism strategic plan 2017–2020 (pp. 57–59).

Sri Lanka Tourism Development Authority. (2019). Annual report 2019 (pp. 37–40, 42, 57, 82).

Sri Lanka Tourism Development Authority. (2021). Sri Lanka tourism progress review 2021 (p. 57).

Sri Lanka Tourism Development Authority. (2022). Kalpitiya Island Resort.

Sri Lanka Tourism Development Authority. (2023). Annual report 2023 (pp. 9, 45, 49, 90).

Sri Lanka Tourism Development Authority. (2024). Year in review 2024 (p. 38).

Sunday Times. (2022). Mega tourism project on Uchchamunai Island: Ecosystems on the chopping block.

Thassim, F. (2022). Proposed resort in Uchchimunai raises grave concerns. Ceylon Today.

Travel Voice. (2024). Tourism industry: Twelve islands in Kalpitiya stagnant.

Urban Development Authority. (2018). Kalpitiya development plan 2021–2030 (p. 19).

USAID. (2023). An impact assessment of the tourism industry in Sri Lanka and the benefits of adopting sustainable practices.

Wanathavilluwa Divisional Secretariat Division. (2020). Co-management plan: Gangewadiya environmentally sensitive area.

World Bank. (2017). Improving the quality of land administration in Sri Lanka (Final draft).

8. ANNEXURES

Annex 1. Site Development History

Site Name	Location Description	Land Area (acres)	Previous Tourism Development Attempts
Bentota National Holiday Resort Zone	Southwestern coast	24.0	Early state-planned tourism zone in the 1960s–national Holiday Resort model; released EOIs in 2020
Kalpitiya Island Resort Zone	Kalpitiya peninsula, northwest		10 islands leased since 2010, again in 2019; limited progress
Baththalangun-duwa	Island off Kalpitiya peninsula	291.0	Part of earlier Kalpitiya island leases; vested in 2010, unclear progress see Table 2 for more detail
Uchchamunai	Island off Kalpitiya peninsula	1095.0	
Pasikudah National Holiday Resort	East coast, near Pasikudah	6.5	National Holiday Resort development prior to 1983; revived post-war in 2010/11 (Master Plan and EIA process) and 2019 (infrastructure development: e.g. water line and main access road)
Dedduwa Lake Resort Area	Island near Bentota	1713.0	Proposed as large-scale luxury eco-resort in 2012; SLTDA land acquisition in 2017; cabinet approval obtained in 2019 to hire a Consultant for the preparation of a conceptual plan and Expressions of Interest (EOI); investor proposal recommended by Development Project Evaluation Committee (DPEC) and submitted to the SLTDA board for approval in 2021, as of 2023 construction has not commenced and beach access road still not acquired
Bulanayaya, Pidurangala area	Central-east, near Sigiriya	19.0	As of 2023 pending feasibility study and master plan
Kuchchaweli Beach Resort Zone	Trincomalee, northeast	74.0	2019: EOIs issued, Master Plan preparation, SLTDA site office design in progress, two investors granted land, one has been developed and is in operation, one was unable to begin construction and is looking at alternate investments, one investor awaiting SLTDA board approval, three proposals re-evaluated. 2023: One hotel is in operation, and eight hotels have pending construction works.
Rasool Thottam, Trincomalee	Trincomalee, northeast	40.0	Acquired in 2022, land rights contested, no construction commenced.
Allas Garden, Trincomalee	Trincomalee, northeast	4.0	No evidence of SLTDA-linked development. Some private hotels already operate in the area (Mahavithanage, 2025).

Note: CSF formally requested SLTDA for updates on the above sites/projects to verify their most up-to-date status, but did not receive a response.

Annex 2. Comparison of the CSF's Proposed Framework with EIA, UDA Land Use Assessment, and BOI Screening

	CSF Sustainable Tourism Land Lease Framework	Environmental Impact Assessment (EIA)	UDA Land Use Assessments	Board of Investment (BOI)
When is it applied?	Pre-leasing, as a diagnostic tool to assess readiness before land is released	Usually after investor is selected and ToR is approved	Often used for zoning/ planning after land is earmarked; overlaps with tourism zones are imperfect	After EOI, during project screening; checks project viability and alignment with national priorities
Focus	Holistic: ecological, infrastructural, social, institutional, and market compatibility	Primarily ecological (biotic/ abiotic); limited cumulative or social analysis	Physical planning, infrastructure compatibility, zoning restrictions	Commercial viability, job creation, foreign investment, and strategic alignment
Scale	Land-specific and community-ground, responsive to local complexity	Project-based, technical	District or regional scale; top-down and often rigid	National development and investment targets
Strengths	Predictive and adaptive; emphasizes co-discovery, social license, infrastructure and ecological readiness	Legally required; provides environmental baseline (if done well)	Helps manage urban growth, defines land use categories	Facilitates investment inflow, can coordinate across ministries
Limitations	Requires inter-agency buy-in; not yet institutional-ized	Often weak on cumulative impacts and social data; vulnerable to political pressure	Boundaries may not align with SLTDA lands; lacks tourism-specific detail	Not specialized in tourism planning; can approve projects that contradict local dynamics
Use Case	Screening land before gazette or lease call, aligning investment with reality	Ensuring a project does no harm (post-allocation)	Checking physical compatibility, infrastructure layouts	Screening major investors for large-scale tourism or strategic investment zones

Source: Authors' construction

Centre for a Smart Future (CSF) is a Colombo-based think-tank with researchers, advisors, and partners around the world.

We conduct high-quality research, promote collaboration across disciplines, and generate actionable ideas. Our current work is anchored to influencing a just recovery from Sri Lanka's polycrisis, with the environment and human wellbeing at the core. Our research has partnered with organisations such as Institute of Development Studies, London School of Economics, International Labour Organization, Open Society Foundation, Blue Resources Trust, and Biodiversity Sri Lanka. What sets us apart is our interdisciplinary approach to research and policy advocacy. We like being imaginative in how we think about challenges and solutions.

We continually engage with a spectrum of stakeholders - from local communities to policymakers - which ensures that our research is relevant and accessible to a broad audience, while also contributing to meaningful policy change.

@CSFasia
@csfasia
@centreforasmartfuture
@centreforasmartfuture

www.csf-asia.org